

# SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTE of Meeting of the AUDIT AND SCRUTINY COMMITTEE conducted remotely by Microsoft Teams Live Event on Tuesday, 29 June 2021 at 10.15 am

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Present:- Councillors S. Bell (Chairman), H. Anderson, J. Fullarton, J. Greenwell, N. Richards(Vice-Chairman), E. Robson, H. Scott and S. Scott. Audit Business: Mr M Middlemiss; and from Audit Scotland: Mr A. Haseeb and Ms T. Wilson-Jones.

Apologies:- Councillor E. Thornton-Nicol and Ms H Barnett

Also present:- Councillor R. Tatler.

In Attendance:- Executive Director Finance & Regulatory, Chief Officer Audit & Risk, Service Director Customer & Communities, Service Director Young People Engagement & Inclusion, Clerk to the Council, Democratic Services Officer (F. Walling).

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## **CHAIRMAN**

The Chairman opened the meeting and welcomed Members of the Audit and Scrutiny Committee and members of the public to the Scottish Borders Council's open on-line meeting. The meeting was being held remotely in order to adhere to guidance on public meetings and social distancing currently in place, due to the COVID-19 pandemic.

The Chairman then paid tribute to Mr David Clark, Senior Internal Auditor, who had sadly passed away the previous week and, on behalf of the Committee, passed on condolences to his family, friends and colleagues.

## 1. **MINUTE.**

There had been circulated copies of the Minute of the Meeting held on 3 June 2021.

## **DECISION**

**APPROVED for signature by the Chairman.**

## 2. **ACTION TRACKER**

There had been circulated copies of the Action Tracker for the Audit and Scrutiny Committee. With reference to paragraph 6(b) of the Minute of 10 May 2021 and the action to fill the role of Counter Fraud Officer, the Chief Officer Audit & Risk, explained that, after consideration it was proposed to deliver the counter fraud function in a different way. The intention was for a group of Business Support Officers to have a counter fraud role within their remit rather than the responsibility being dependent on an individual officer. The identified resource would be clarified as part of a review of the counter fraud policy and strategy which was due to be presented to the Audit & Risk Committee in November 2021 before going to full Council for consideration. Ms Stacey gave assurance that, in the meantime, the counter fraud function was being covered by the Council's Integrity Group. Members were content with the proposed approach to covering the counter fraud function, subject to the identification of an individual who would continue to be responsible for monitoring the environment within the Council itself and externally. The Chairman asked the Action Tracker to be updated accordingly and for November 2021 to be added as the relevant date for a further update to be provided.

## **DECISION**

**AGREED the revised approach to delivering the counter fraud function and that an update be provided to the Committee in November 2021.**

## **AUDIT BUSINESS**

### **3. FOLLOW-UP REVIEW OF COMPLETED INTERNAL AUDIT RECOMMENDATIONS**

With reference to paragraph 5 of the Minute of 23 November 2020, there had been circulated copies of a report by the Chief Officer Audit & Risk providing an update on the results of the Follow-Up Review, which included a sample check on the adequacy of new internal controls for Internal Audit Recommendations marked as completed by Management in the period January to December 2020. The Chief Officer Audit & Risk, Jill Stacey, explained that this was a new piece of work as part of the Internal Audit Annual Plan 2021/22. The objective was to review a sample of 'completed' Internal Audit recommendations to assess the evidence that they had been implemented satisfactorily. Of the sample of 13 Internal Audit recommendations selected, that had been marked as completed on the Pentana system during the period January to December 2020, 7 were found to have been completed satisfactorily and 6 required further work. The report gave details of the audit reports within the sample and of the recommendations satisfactorily completed and those, all Medium-rated, that required further work. The latter had been re-opened on the Pentana system as 'in progress' to allow the remaining work to be completed by the revised due dates. Members considered the report and received answers to their questions. Ms Stacey confirmed that there was effective dialogue with management and that Internal Audit would continue to work with Directors and action owners, as a critical friend, to ensure the audit actions were fully completed. Ms Stacey agreed with the slight concern expressed by Members, in that 45% of the sample recommendations had not been satisfactorily completed, but she was confident that relevant discussions were being held with managers. She added that there should be consideration of a review about whether additional assurance was needed. The question as to whether this was a representative sample would be put to CMT, in addition to the quarterly report to CMT on actions in progress. Ms Stacey planned for an update report to be presented to the Audit & Scrutiny Committee in November 2021.

### **DECISION**

#### **AGREED:-**

- (a) to acknowledge the results of the spot check on Internal Audit recommendations that had been marked as completed by Management in the period January to December 2020 to improve internal controls and governance, and mitigate risks;**
- (b) to confirm that it was satisfied with the outcomes; and**
- (c) to note that Internal Audit would continue to monitor the completion of recommendations and would provide an update report to this Committee in November 2021.**

### **4. INTERNAL AUDIT WORK TO MAY 2021**

There had been circulated copies of a report by the Chief Officer Audit & Risk which provided details of the recent work carried out by Internal Audit and the recommended audit actions agreed by Management to improve internal controls and governance arrangements. The work Internal Audit had carried out during the period from 1 April to 11 June 2021 was detailed in the report. During the period, a total of 4 final Internal Audit reports had been issued. There were 3 recommendations made associated with 1 of the reports (3 Medium-rated). An Executive Summary of the final Internal Audit reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit & Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, was detailed in Appendix 1 to the report. In terms of the reports on the Conservation

Area Regeneration Scheme (CARS) in both Jedburgh and Hawick, and also the report on Parks and Environment (Bereavement Services) a substantial level of assurance was given and no recommendations were made. With regard to the internal audit report on Risk Management further detail was given of the 3 medium recommendations made. It was confirmed that elements highlighted during the audit would be incorporated within the review and update of the Risk Management Policy and Strategy to reflect best practice. Ms Stacey confirmed that the refreshed Risk Management policy would be brought back to the Audit & Scrutiny Committee before endorsement by Council before the end of the year.

#### **DECISION**

##### **AGREED:-**

- (a) to note the final assurance reports issued in the period from 1 April to 11 June 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22;**
- (b) to note the Internal Audit Assurance Work in Progress and Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter;**
- (c) to acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

#### **5. ACCOUNTS COMMISSION REPORT - LOCAL GOVERNMENT IN SCOTLAND OVERVIEW 2021**

There had been circulated copies of a report by the Chief Officer Audit & Risk to accompany the Accounts Commission Report: Local Government in Scotland Overview 2021, which had also been circulated. The covering report highlighted the main points of the Accounts Commission Report which had been published on 27 May 2021. Mr Asif Haseeb (Audit Scotland) presented the report and its key messages, which were as follows: the Covid-19 pandemic was having a profound impact on all aspects of society, including the economy, jobs, and the physical and mental health of the public; relationships with communities had been vital; levels of service disruption had varied; some services were delivered virtually; the workforce demonstrated the versatility to take on new roles; there were significant changes in Council governance structures and processes; Councils continued to face significant financial challenges, and these had been exacerbated by the pandemic; the Scottish Government had provided substantial additional financial support, but the nature and timing of funding had created further challenges for Councils; Councils had started to plan for longer term recovery from the crisis; and there has been some ongoing learning resulting from the emergency response to the pandemic. The report also outlined key lessons learned. It was clear that the impact of Covid-19 had been extremely detrimental for many of Scotland's most vulnerable people and communities. The impact would be long-lasting and would significantly increase inequalities. Action taken by communities had been vital in supporting Councils and their partners to deliver an emergency response. Members welcomed the clear report and also welcomed the inclusion in the report of the featured Scottish Borders Council case study based on the Inspire Learning Programme. The opinion was expressed that Scottish Borders Council staff should be commended for this programme and also for keeping essential services going during the pandemic. In conclusion, Members believed it was valuable to receive the appraisal and noted the key messages of the report and seven areas of lessons learned.

#### **DECISION**

**NOTED the details of the Accounts Commission report: Local Government in Scotland Overview 2021.**

#### **6. WORK PROGRAMME 2021/22 FOR THE AUDITOR GENERAL FOR SCOTLAND AND THE ACCOUNTS COMMISSION**

There had been circulated copies of a report by the Chief Officer Audit & Risk to advise Members of the Work Programme 2021/22 for the Auditor General for Scotland and the Accounts Commission, which had recently been published on the Audit Scotland website. The work programme set out the audit work planned for delivery in 2021/22 including Auditor General for Scotland-led work in central government; Accounts Commission-led work in Councils and local government; and joint work where there were areas of common interest. The commitment was to provide assurance about how well public money had been spent; and to contribute to the effective recovery and renewal of public services following the pandemic. Arrangements would be made for the Audit & Scrutiny Committee to consider the relevant reports when they were published on the Audit Scotland website.

**DECISION  
AGREED:-**

- (a) to note the details of the Work Programme 2021/22 for the Auditor General for Scotland and the Accounts Commission:**
- (b) to consider the relevant reports when these were published on the Audit Scotland website.**

**7. UNAUDITED REPORTS AND ACCOUNTS 2020/21 FOR SCOTTISH BORDERS COUNCIL**

- 7.1 With reference to paragraph 7 of the Minute of 23 June 2020, there had been circulated copies of a report and associated papers, by the Executive Director Finance and Regulatory, providing an opportunity to scrutinise the draft Scottish Borders Council and Group Annual Report and Accounts for the year ended 31 March 2021 prior to their submission to the External Auditors. It was explained that the draft Report and Accounts were still subject to Statutory Audit, which would commence in July as normal, but may conclude later than usual due to competing audit demands as a result of the ongoing impact of COVID-19. It was estimated that following the Audit process, the final report and Accounts would be submitted to Council in October 2021. The Accounts summarised the financial transactions for the 2020/21 financial year and the balance sheet positions as at 31 March 2021 as set out in the Local Authority Accounts (Scotland) Regulations 2014. The draft Annual Accounts for year ending 31 March 2021 were attached as Appendices 1 – 5 to the report as follows: Annual Accounts for Scottish Borders Council; SBC Common Good Funds; SBC Welfare Trust; SBC Education Trust; SBC Community Enhancement Trust; Ormiston Trust for Institute Fund; SBC Charitable Trusts; Bridge Homes LLP; and Lowood Tweedbank Ltd. The accounts would be submitted to the External Auditors, Audit Scotland or KPMG as appropriate for full audit by 30 June 2021 and be available for public inspection on the Council's website for a 14 day period commencing 1 July 2020.
- 7.2 The Executive Director Finance & Regulatory, David Robertson, highlighted the main issues from the Scottish Borders Council 2020/21 draft accounts by means of a visual presentation, which included an overview of the impact of COVID-19 and financial results in services. The COVID-19 pandemic had caused a major impact on delivery of public services during 2020/21, with ongoing impacts on a number of Council services. Despite this extremely challenging operating environment there were significant achievements during 2020/21. The Council had administered over £52m of grants to local businesses, established 5 community assistance hubs and accelerated roll out of Inspire Learning to support home learning during lockdown. Headline figures for the year were as follows: £12.1m of Financial Plan savings had been achieved, £7.9m (66%) of which were on a permanent basis; a net underspend of £2.516m was delivered from a revenue budget of £278.4m; revenue expenditure of £275.6m representing a net underspend of (0.9%) against the final approved budget; and capital expenditure of £54.8m, including investment in schools, flood protection, roads lighting and other assets, with a favourable year end timing movement of £9.5m against the revised budget. The presentation gave

an analysis of revenue expenditure by service and included a chart detailing efficiency savings achieved over the past 5 years, categorised into permanent and temporary savings brought forward. As at 31 March 2021, the total Useable Reserves Balance was £47.7m, a net increase of £17.8m during the year, mainly attributed to an increase in earmarked balances; specifically £15.7m COVID-19 funding has been earmarked to support the 2021/22 budget. The presentation went on to refer to the Group accounts that were included with the papers.

- 7.3 Mr Robertson answered Members' questions on the accounts and provided further clarification where requested. He noted the request for, and agreed, two minor wording changes in the section of his report relating to plans for the future. In response to a question about short term borrowing for cash flow purposes Mr Robertson explained that a major aspect of treasury management operations was to ensure that the Council's cash flow was adequately planned with cash being available when needed. There were various peaks in outflows of cash and a complicated pattern of income during the year. Temporary short term borrowing, currently at less than 1% interest, was a normal treasury practice to ensure there was always sufficient cash to meet liabilities. Borrowing was only undertaken however when strictly necessary and in fact, savings in borrowing costs had been delivered during the year by utilising internal cash available. In terms of the group accounts the Chairman raised a question relating to the Welfare Trust, Education Trust and Community Enhancement Trust, all of which had received an increase in income from investments during 2020/21 and had significant balances in place as at 31 March 2021. Using as an example the charitable purpose of the Welfare Trust, as stated in the paper, he asked why, during the recent and ongoing time of crisis, there had not been more dispersal of grants from these Trusts. Mr Robertson referred to the considerable work previously undertaken to consolidate a large number of trust funds and that work was still outstanding to set up a fully functioning system of governance for grant applications. The application process should align with other mechanisms of grant funding e.g. the Community Fund and, in the case of the Education Trust it had been noted that there was further outstanding work to be carried out to consult with school communities prior to reorganising a number of residual trust funds. After further discussion about the Charitable Trust Funds, Members agreed to ask for the operation and governance of the funds to be reviewed and for a follow-up report to be taken to the Executive Committee in 3 – 6 months' time. The Chairman thanked Mr Robertson and his team for their work behind the preparation of the accounts.

## **DECISION**

### **AGREED:-**

- (a) to note the Draft Annual Report and Accounts 2020/21 for Scottish Borders Council and associated Group Accounts; and**
- (b) to support its submission for review by the External Auditors, Audit Scotland for Scottish Borders Council, Common Good and Trust Funds accounts, and to KPMG who continue to provide the external audit of the Council's subsidiary Bridge Homes.**
- (c) that in respect of the three re-organised trusts: SBC Welfare Trust; SBC Education Trust; and SBC Community Enhancement Trust:**
  - (i) to express concern at the lack of significant activity in terms of their promotion and dispersal of funding;**
  - (ii) to ask officers to review the operation and governance of these Trusts with a view to better publicising and promoting their aims and objectives;**

- (iii) to ask the Service Director for Young People Engagement & Inclusion to engage with Finance staff to facilitate the consolidation of the remaining SBC Charity Funds; and
- (iv) to ask the Chief Executive to present a follow-up report on these funds to the Executive Committee within the next 3 to 6 months.

8. **UNAUDITED REPORT AND ACCOUNTS 2020/21 FOR SCOTTISH BORDERS COUNCIL PENSION FUND**

With reference to paragraph 8 of the Minute of 25 June 2020, there had been circulated copies of a report by the Executive Director Finance and Regulatory, providing an opportunity to scrutinise the Draft unaudited Annual Report and Accounts for the Pension Fund for 2020/21 tabled prior to their submission to the External Auditors. The draft unaudited Annual Report and Accounts, provided in Appendix 1 to the report, had been presented to the Joint Pension Fund Committee and the Pension Fund Board on 10 June 2021 for approval of submission to External Auditors and publication for inspection by the statutory deadline of 30 June 2021. Following the statutory Audit process, the final Report and Accounts would be submitted to the joint Committee and Board to review and recommend for approval. The Annual Report would also be made available for public inspection for a 3-week period commencing 30 June 2021. The Executive Director Finance and Regulatory presented the report and highlighted the main points in his presentation. It was reported that the Fund completed its 2020 Triennial valuation which resulted in a funding position of 110%. The market crash in March 2020 resulting from COVID-19 uncertainty was fully recovered during the year to 31 March 2021 with the Fund returning a positive 20.1% against the benchmark of 18.3%. Investment values consequently increased by £147.5m during the year, with continued good progress being made with respect to the implementation of the asset strategy. In response to a question, Mr Robertson confirmed that the Fund continued to work with all its managers to ensure Environmental, Social and Governance (ESG) issues were fully integrated into all their investment decisions. The Fund had transitioned all its investments with Morgan Stanley to its Global Sustain Fund during 20/21 which excluded tobacco, alcohol, and arms manufacture and stocks in carbon polluting businesses and continued to support the Climate Action 100+ initiative, as a signatory. The initiative was actively working to ensure the Paris Agreement on climate change targets were met.

**DECISION**

**NOTED the Draft Unaudited Pension Fund Annual Report and Accounts for 2020/21**

9. **SCOTTISH BORDERS COUNCIL MANAGEMENT REPORT 2020/21**

There had been circulated copies of an interim Management Report by Audit Scotland, published in June 2021, which provided a summary of key issues identified during the interim audit work carried out at Scottish Borders Council. Mr Haseeb (Audit Scotland) presented the report which concluded that, overall the Council had satisfactory systems of internal control in place. There were some control improvements identified in three broad areas which were summarised in the report. All recommendations had been agreed by management and would be actioned. Additional work would be carried out by Audit Scotland in response to these findings which would enable Audit Scotland to take planned assurance for audit of the 2020/21 annual accounts. A review of procurement had concluded that appropriate procurement procedures, controls and reporting arrangements were in place at the Council, supported by a clear strategy and objectives. Mr Haseeb thanked Mr Robertson and his team for their assistance in conducting the audit.

**DECISION**

**NOTED**

## SCRUTINY BUSINESS

### 10. TACKLING CHILD POVERTY - UPDATE

- 10.1 With reference to paragraph 3 of the Minute of 14 January 2021, there had been circulated copies of a joint report by the Service Director, Customer & Communities and Service Director Young People, Engagement & Inclusion providing an update on the actions that Scottish Borders Council and partners were taking to tackle Child Poverty in the Scottish Borders. The report was presented initially by Jenni Craig, Service Director Customer & Communities. Following presentation of a previous report to the Committee on 14 January 2021, Members had requested a further update in relation to: a definition of child poverty; a view of key drivers for child poverty; how Councillors could be involved; the presentation of data in quarterly performance reports; and whether benchmarking with local authorities within the family group could be carried out to identify any underlying issues giving rise to the difference in percentage levels of child poverty and to learn from best practice. The information requested was set out within the report which included the Local Child Poverty Action Plan for 2021/22 in Appendix 1 to the report; the Scottish Borders Child Poverty Index 2020 in Appendix 2; evidence and statistics about Child Poverty in the Scottish Borders in Appendix 3; and Benchmarking data in Appendix 4. In terms of a definition of child poverty the Child Poverty (Scotland) Act 2017 used four income-based targets as measures rather than providing a specific definition. Similarly drivers of poverty fell into three thematic areas which could be summarised as: income from employment; costs of living; and income from social security and benefits in-kind. The report looked in more detail at these areas before moving on to consider how Councillors could be more involved in actions to tackle child poverty. It was suggested that there may be an opportunity for further Member involvement in the form of a proposed Anti-Poverty Members Reference Group to replace the short-life Member/Officer Anti-Poverty Strategy Working Group. Consideration would be given to this in the Anti-Poverty Strategy Report due to be presented to Council in September 2021. The report went on to refer to the presentation of Scottish Borders data and benchmarking activities, as set out in the appendices. It was noted that whilst there was a desire to have more regular performance reporting, most of the national data associated with child poverty was only available on an annual or bi-annual basis, and frequently time lagged. More local indicators were being explored and considered in a new approach to obtaining data which was currently in development.

### MEMBER

Councillor Harry Scott left the meeting during the discussion recorded below.

- 10.2 Members thanked the officers for the detailed information provided. They referred in particular to the long list of recommendations within the Scottish Borders Child Poverty Action Plan 2021/22 as detailed in Appendix 1 to the report and asked if these could be more focussed into actions. Ms Craig confirmed that officers had been considering how the action plan could be strategically themed. She agreed with the need to use data and to prioritise the households which the Council needed to target. In response to a question about the data presented and actual numbers represented by the percentages given, officers advised that the 18% of children in Scottish Borders who were living in relative low income families represented a figure of 3,500 children. In further discussion, Members referred to the significance of rural poverty in the Scottish Borders which was often related to lack of transport and also to fuel poverty due to the type of rural housing. Ms Craig agreed with the valid points made, noting that these were not easy to address. She drew attention to the efforts locally and nationally, towards the alleviation of fuel poverty, as included in the action plan. It was recognised that schools were key to the identification and engagement with families who were in most need of help. The Service Director Young People Engagement & Inclusion, Lesley Munro, explained how, after COVID-19, there were more families registered for Free School Meals and clothing grant provision and that these families could also be targeted for other support. There was also work ongoing with partners to develop accessible summer programmes for children which also helped with food insecurity. Members went on to discuss the benchmarking data but

noted that no conclusions could be drawn at the moment from the data presented. As there appeared to be little difference between the areas, there was no clarity about actions which may be effective or examples of best practice. Members welcomed the proposals in relation to a Member Reference Group to provide input to the actions to tackle poverty. The Chairman thanked the officers for their report and attendance.

#### **DECISION**

**(a) NOTED:-**

**(i) the updates detailed in sections 4-8 of the report as requested by the Audit & Scrutiny Committee on 14 January 2021; and**

**(ii) the actions that Scottish Borders Council and Partners were taking to tackle Child Poverty in the Scottish Borders.**

**(b) AGREED to request that a Member Reference Group be established to provide input to the actions to tackle poverty and that approval of the scope and membership of the group be sought from Council as part of the Anti-Poverty Strategy Action Plan.**

#### **11. SCRUTINY WORK PROGRAMME**

With reference to paragraph 3 of the Minute of 3 June 2021, there had been circulated copies of an update, by the Clerk to the Council, on the future Scrutiny Work Programme setting out the subjects for Scrutiny review and timescale for the hearings. Members were content with the programme as proposed.

#### **DECISION**

**NOTED the Scrutiny Work Programme**

*The meeting concluded at 1.00 pm*